

Docket:	:	<u>A.09-12-020</u>
Exhibit Number	:	<u>DRA-17</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Fukutome</u>
Witness	:	<u>Chia</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

Replacement Pages

**Shared Services and Other Support Costs
(excluding Information Technology)**

San Francisco, California
July 7, 2010

Revisions to Exhibit DRA-17:

1. p. 2, line 26, strike \$77.301 and replace with \$77.601
2. p. 2, line 27, strike \$36.570 and replace with \$36.270
3. p. 3, line 1, strike \$13.756 and replace with \$13.690
4. p. 3, line 2, strike \$17.233 and replace with \$17.299
5. p. 3, line 2, strike 57% and replace with 56%
6. p. 3, Table 17-1, Column "DRA Recommended 2011" and Row "MWC 78," strike 63,308 and replace with 63,608
7. p. 3, Table 17-1, Column "DRA Recommended 2011" and Row "Total," strike \$163,968 and replace with \$164,268
8. p. 4, Table 17-2, Column "DRA Recommended" and Row "MWC BI," strike 13,756 and replace with 13,690
9. p. 4, Table 17-2, Column "Amount PG&E>DRA" and Row "MWC BI," strike 17,233 and replace with 17,299
10. p. 4, Table 17-2, Column "Percentage PG&E>DRA" and Row "MWC BI," strike 125% and replace with 126%
11. p. 4, Table 17-2, Column "DRA Recommended" and Row "Total," strike \$44,481 and replace with \$44,415
12. p. 4, Table 17-2, Column "Amount PG&E>DRA" and Row "Total," strike \$20,413 and replace with \$20,479
13. p. 7, line 13, strike \$77.867 and replace with \$54.733
14. p. 7, line 13, strike 59% and replace with 41%
15. p. 33, Table 17-12, Column "DRA Recommended" and Row "MWC BI," strike \$13,756 and replace with \$13,690
16. p. 33, Table 17-12, Column "Amount PG&E>DRA" and Row "MWC BI," strike \$17,233 and replace with \$17,299
17. p. 33, Table 17-12, Column "Percentage PG&E>DRA" and Row "MWC BI," strike 125% and replace with 126%
18. p. 33, Table 17-12, Column "DRA Recommended" and Row "Total," strike \$19,519 and replace with \$19,453
19. p. 33, Table 17-12, Column "Amount PG&E>DRA" and Row "Total," strike \$20,413 and replace with \$20,479
20. p. 33, line 12, strike \$13.756 and replace with \$13.690

21. p. 33, line 12, strike \$17.233 and replace with \$17.299
22. p. 33, line 12, strike 57% and replace with 56%
23. p. 34, Table 17-14, Column "DRA's Forecast 2011" and Row "77 Beale/One Market Plaza," strike 0 and replace with 35
24. p. 34, Table 17-14, Column "DRA's Forecast 2011" and Row "Total," strike \$13,756 and replace with \$13,690
25. p. 35, line 5, strike \$4.356 and replace with \$4.255
26. p. 35, line 6, strike \$11.865 and replace with \$11.966
27. p. 52, Table 17-21, Column "DRA's Forecast 2011" and Row "Energy Procurement Expansion & Relocation," strike 0 and replace with 300
28. p. 52, Table 17-21, Column "DRA's Forecast 2011" and Row "Total," strike \$77,301 and replace with \$77,601
29. p. 59, line 20, add the words "approving the" before the word "Relocation"

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations regarding Shared Services and Other Support (excluding IT) capital expenditures:

- DRA recommends using the recorded 2009 capital expenditures of \$66.135 million for MWC 04 (Fleet/Auto Equipment) which is \$6.446 million or 8.8% below PG&E's 2009 capital expenditure forecast of \$72.580.
- DRA accepts PG&E's 2010 capital expenditure forecasts of \$48.522 million for MWC 04 (Fleet/Auto Equipment).
- DRA recommends \$78 million for 2011 capital expenditures for MWC 04 (Fleet/Auto Equipment) which is \$77.867 million or 59% below PG&E's 2011 forecast.
- DRA is recommending the recorded 2009 capital expenditures for MWC 05 of \$451,000 and MWC 20 of \$442,000 for the Supply Chain-Materials Handling and Inventory department.
- DRA is recommending capital expenditures of \$451,000 for 2010 and 2011 for MWC 05 for the Supply Chain-Materials Handling and Inventory department based on Last Recorded Year of 2009.
- DRA recommends using the recorded 2009 capital expenditure of \$36.732 million for real estate's capital expenditures which is \$878,000 or 2.3% below PG&E's 2009 capital expenditure forecast of \$37.610 million for its real estate capital expenditures.
- DRA recommends a forecast of \$33.812 million for 2010 which is \$12.124 million or 26% below PG&E's forecast for real estate's capital expenditures.
- DRA recommends a forecast of ~~\$77.304~~ \$77.601 million for 2011 which is ~~\$36.570~~ \$36.270 million or 32% below PG&E's forecast for real estate's capital expenditures.

The following summarizes DRA's recommendations regarding Shared Services and Other Support (excluding IT) O&M expenses:

- DRA recommends an adjustment of \$11.287 million for the fleet services' chargeback costs for fleet operations.
- DRA recommends an adjustment of \$16.691 million for the fuel chargeback costs.
- DRA recommends an adjustment of \$19.5 million from the Transportation Services' Chargeback Costs for the vehicle rental costs.

- DRA recommends a forecast of ~~\$13.756~~ \$13.690 million for MWC BI (Maintain Buildings) which is ~~\$17.233~~ \$17.299 million or ~~57%~~ 56% below PG&E's forecast for test year 2011.
- DRA recommends using a five-year average (2004 to 2008) of recorded expenses of \$4.271 million to forecast 2011 expense for MWC EP which is \$3.129 million or 42% below PG&E's forecast.

Table 17-1 compares DRA's and PG&E's 2009-2011 forecasts of Shared Services and Other Support (excluding IT) capital expenditures:

Table 17-1
Shared Services and Other Support (excluding IT) for 2009-2011
Capital Expenditures
(In Thousands of Dollars)

Description	DRA Recommended			PG&E Proposed ²		
	2009	2010	2011	2009	2010	2011
MWC 04 (Fleet/Auto Equip)	\$66,135	\$48,522	\$78,000	\$71,680	\$48,522	\$132,733
MWC 05 (Tools & Equipment)-Fleet	929	900	900	900	900	900
MWC 05 (Tools & Equip)-Supply Chain-Materials	451	451	451	645	685	1,093
MWC 20 (DCPP Capital)	442	407	407	407	407	407
MWC 5 (Tools & Equipment)-CRE	\$268	\$175	\$245	\$153	\$175	\$245
MWC 53 (IT Applications)	168	0	1,100	0	0	1,100
MWC 78 (Manage Buildings)	36,070	33,505	63,308 63,608	37,457	42,185	80,126
MWC 79 (Land Management)	0	0	2,884	0	0	17,305
MWC 85 (IT Infrastructure)	0	0	5,659	0	2,575	8,842
MWC 87 (Office Equipment)	6	0	150	0	0	150
MWC 88 (Office Furniture)	220	132	3,955	0	1,001	6,103
MWC 12 (Environmental)	4,748	4,777	6,909	5,397	4,777	6,909
Total	\$109,437	\$88,869	\$163,968 \$164,268	\$116,639	\$101,227	\$255,913

² Exhibit PG&E-7, Chapter 3, 4, 7, and 7, pages 3-28, 4-14, 6-54, 7-26

Table 17-2 compares DRA's and PG&E's TY2011 forecasts of Shared Services and Other Support (excluding IT) O&M expenses:

Table 17-2
Shared Services and Other Support (excluding IT) O&M Expenses for TY2011
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed ³ (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E>DRA (e=d/b)
MWC AB (Support)	\$7,901	\$7,901	\$0	0%
MWC BI (Maintain Bldgs)	43,756 13,690	30,989	17,233 17,299	425% 126%
MWC EP (Manage Property & Bldgs)	4,271	7,451	3,180	74%
MWC EQ (Real Property Acquisitions & Sales)	1,492	1,492	0	0%
MWC AK (Manage Environmental Oper)	11,138	11,138	0	0%
MWC AY (Habitat & Species Protection)	141	141	0	0%
MWC CR (Mnge Waste Disp & Transportation)	3,822	3,822	0	0%
MWC ES (Environ Projects & Initiatives)	1,665	1,665	0	0%
MWC IE (Environ Remedtn, Non-HSM Recovery)	295	295	0	0%
Total	\$44,481 \$44,415	\$64,894	\$20,413 \$20,479	46%

Table 17-3 compares DRA's and PG&E's TY2011 forecasts of Shared Services and Other Support (excluding IT) Administrative and General (A&G) expenses:

³ Exhibit PG&E-7, Chapters 5, 6, and 7, pages 5-15, 6-55, and 7-27

Table 17-5
2004-2009 Recorded Capital Expenditures for MWC 04
(In Thousands of Nominal Dollars)

Description	2004	2005	2006	2007	2008	2009
MWC 04 (Fleet/Auto Equipment)	\$46,127	\$31,341	\$61,839	\$102,379	\$51,638	\$66,135

Source: 2004-2008 data from Exhibit PG&E-7, Workpapers to Chapter 3, Page WP 3-11. 2009 data from Data Request Response to DR-DRA-122, Question 1, Attachment 1

PG&E is requesting capital expenditures of \$71.680 million in 2009, \$48.522 million in 2010, and \$132.733 million in 2011 for MWC 04.¹⁰

DRA recommends using the recorded 2009 capital expenditure of \$66.135 million for MWC 04 (Fleet/Auto Equipment) which is \$6.446 million or 8.8% below PG&E's 2009 capital expenditure forecast of \$72.580 million for MWC 04. DRA accepts PG&E's 2010 capital expenditure forecasts of \$48.522 million for MWC 04. DRA recommends \$78 million for 2011 capital expenditure for MWC 04 which is ~~\$77.867~~ \$54.733 million or ~~59%~~ 41% below PG&E's 2011 capital expenditure forecast for MWC 04. Table 17-6 presents a comparison of DRA's and PG&E's forecasts for capital expenditures for 2009 to 2011 for MWC 04.

¹⁰Exhibit PG&E-7, Chapter 3, page 3-28

Table 17-12
Comparison of PG&E's and DRA's 2011 Forecast for Real Estate Expenses
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed ⁷⁷ (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E>DRA (e=d/b)
MWC BI (Maintain Bldgs)	\$13,756 \$13,690	\$30,989	\$17,233 \$17,299	125% 126%
MWC EP (Manage Property & Bldgs)	4,271	7,451	3,180	74%
MWC EQ (Real Property Acquisitions & Sales)	1,492	1,492	0	0%
Total	\$19,519 \$19,453	\$39,932	\$20,413 \$20,479	105%

Table 17-13 provides the 2004 to 2009 recorded expenses for PG&E's real estate expenses.

Table 17-13
2004-2009 Recorded Data for Real Estate Expenses⁷⁸
(in Thousands of Nominal Dollars)

Description	2004	2005	2006	2007	2008	2009
MWC BI	\$2,843	\$2,938	\$6,068	\$12,084	\$7,360	\$8,045
MWC EP	3,273	3,232	2,743	4,604	3,900	3,849
MWC EQ	1,969	1,077	1,469	1,578	1,316	971
Total	8,084	7,246	10,279	18,267	12,576	12,865

B. MWC BI – Maintain Buildings

PG&E forecasts \$30.989 million in 2011 for MWC BI. DRA recommends a forecast of ~~\$13.756~~ \$13.690 million which is ~~\$17.233~~ \$17.299 million or ~~57%~~ 56% less than PG&E's forecast. MWC BI includes expenses for the following CRE programs and initiatives:

⁷⁷ Exhibit PG&E-7, Chapter 6, Page 6-55, Table 6-11

⁷⁸ Workpapers to Exhibit PG&E-7, Chapter 6, page WP 6-300 and PG&E's response to DR-DRA-122-Q01Aatch01

- Base Building
- Seismic Safety
- ADA Compliance
- Environmental Sustainability
- Customer Office Refurbishment
- 111 Almaden Building
- 77 Beale Street/One Market Plaza
- Energy Procurement Expansion & Relocation

Table 17-14 provides the 2004 to 2009 recorded expenses and 2011 forecasted expenses for MWC BI programs.

Table 17-14
MWC BI
2004 to 2009 Recorded and DRA's & PG&E's 2011 Forecast Expenses⁷⁹
(In Thousands of Nominal Dollars)

Description	Recorded 2004	Recorded 2005	Recorded 2006	Recorded 2007	Recorded 2008	Recorded 2009	PG&E's Forecast 2011	DRA's Forecast 2011
Base Building	\$296	(\$1,650)	\$2,917	\$7,497	\$3,945	\$2,704	\$16,221	\$4,255
Seismic Safety	2,433	3,481	1,445	2,191	794	3,353	2,652	2,652
ADA Compliance	114	1,038	1,526	2,132	1,390	1,498	3,210	1,465
Environmental Sustainability	0	0	75	265	8	124	1,000	138
Fresno SC Redevelopment	0	70	104	0	0	0	0	0
San Ramon Office	0	0	0	0	1,222	0	0	0
Customer Office Refurbishment	0	0	0	0	0	0	1,500	1,500
111 Almaden	0	0	0	0	0	0	4,612	3,645
77 Beale/One Market Plaza	0	0	0	0	0	0	1,670	0 35
Energy Procurement Expansion	0	0	0	0	0	0	124	0
Total	\$2,843	\$2,869	\$6,067	\$12,085	\$7,359	\$7,679	\$30,989	\$13,756 \$13,690

⁷⁹ Workpapers to Exhibit PG&E-7, Chapter 6, pages WP 6-301 and WP 6-302 and PG&E's response to DR-DRA-126-Questions 1, 2, 3, and 4

1 **1. Base Building Program - Expense**

2 PG&E forecasts expense of \$16.2 million in 2011 for CRE's base building
3 program.⁸⁰ PG&E's CRE's department is responsible for the maintenance and
4 operations of 846 buildings and yards at 195 locations.⁸¹

5 DRA recommends a 2011 forecast of ~~\$4.356~~ \$4.255 million⁸² for CRE's base
6 building program which is ~~\$11.865~~ \$11.966 million or 73% less than PG&E's 2011
7 forecast. DRA recommends using a four-year average (2004 to 2008 excluding
8 2005) for the base building program's 2011 forecast.⁸³

9 PG&E claims that CRE's ongoing base building program is to stabilize and
10 improve the condition of PG&E's buildings and yards by evaluating the condition and
11 prioritizing the work of the building component.⁸⁴ PG&E claims that the 2011
12 forecast for CRE's base building program is higher than recorded cost because its
13 building and yards need to be brought to minimum condition standards.⁸⁵ The
14 building components are defined below:

- 15 • Roofing (e.g., drains and gutters)
- 16 • Paving (e.g., site drainage)
- 17 • Building Systems (e.g., elevators, HVAC, electrical, and plumbing)
- 18 • Security (e.g., closed circuit television cameras, alarms, electronic
- 19 locks and gates and card readers)

⁸⁰ Exhibit PG&E-7, Chapter 6, page 6-15

⁸¹ Exhibit PG&E-7, Chapter 6, page 6-5

⁸² For DRA's 2011 forecast for the Base Building program, DRA escalated the recorded 2004 to 2008 expenses to 2008 dollars and then calculated the four-year average. DRA then escalated the four-year average to 2011 dollars.

⁸³ DRA excluded the 2005 recorded expenses of (\$1.65 million).

⁸⁴ Exhibit PG&E-7, Chapter 6, page 6-12

⁸⁵ Exhibit PG&E-7, Chapter 6, page 6-14

Table 17-21
Real Estate Initiatives by MWC
Comparison of PG&E's and DRA's Forecasted Capital for 2010 and 2011
(in Thousands of Nominal Dollars)

Initiative	MWC	PG&E's Forecast 2010 ¹³⁶	DRA's Forecast 2010	PG&E's Forecast 2011 ¹³⁷	DRA's Forecast 2011
Base Building	78	\$29,458	\$29,458	\$26,384	\$23,034
Seismic Safety	78	4,025	1,766	0	0
Environmental Sustainability	78	1,900	1,063	5,000	1,063
Land & Land Rights Mgmt	05	175	175	245	245
Security Projects	53	0	0	1,100	1,100
Security Projects	78	1,140	1,140	1,167	1,167
Security Projects	85	0	0	145	145
Customer Office Refurbishment	78	78	78	2,026	1,376
Customer Office Refurbishment	87	0	0	150	150
Customer Office Refurbishment	88	132	132	1,308	1,308
111 Almaden	78	0	0	1,792	1,792
111 Almaden	85	0	0	5,514	5,514
111 Almaden	88	0	0	2,647	2,647
77 Beale St/One Market	78	0	0	10,346	0
77 Beale St/One Market	85	0	0	2,122	0
77 Beale St/One Market	88	0	0	1,432	0
Data Center Replacement	78	0	0	26,745	18,229
Data Center Replacement	79	0	0	5,305	884
Distribution Control Center	78	0	0	2,000	16,647
Distribution Control Center	79	0	0	12,000	2,000
Distribution Control Center	85	0	0	0	0
Distribution Control Center	88	0	0	0	0
Energy Procurement Expansion & Relocation	78	5,584	0	4,669	0-300
Energy Procurement Expansion & Relocation	85	2,575	0	1,061	0
Energy Procurement Expansion & Relocation	88	869	0	716	0
Total		\$45,936	\$33,812	\$113,871	\$77,304 \$77,601

¹³⁶ Exhibit PG&E-7, Chapter 6, page 6-52, Table 6-6 and page 6-53, Table 6-8

¹³⁷ Exhibit PG&E-7, Chapter 6, page 6-53, Table 6-8

1 **I. Distribution Control Center Consolidation – Capital**

2 PG&E forecasts capital expenditures of \$14 million in 2011 for the Distribution
3 Control Center Consolidation Initiative through its CRE department.¹⁵⁶ DRA
4 recommends capital expenditures of \$22.167 million in 2011 for the Distribution
5 Control Center Consolidation Initiative.

6 PG&E is requesting to replace the 17 existing control centers with four new
7 distribution control centers. The locations of the new control centers have not yet
8 been determined.¹⁵⁷

9 DRA recommends that PG&E build only two of the planned four distribution
10 control centers. DRA is recommending that PG&E's total request for the project be
11 reduced by 50% and normalized over 2011 to 2013. The total forecasted cost of the
12 Distribution Control Center Consolidation Initiative is \$133 million.¹⁵⁸ Therefore,
13 DRA recommends capital expenditures of \$22.167 million in 2011 for PG&E's
14 Distribution Control Center Consolidation Initiative. See Exhibit DRA-5 for DRA's
15 discussion on the Distribution Control Center Consolidation Initiative.

16 **J. Energy Procurement Expansion & Relocation - Capital**

17 PG&E forecasts capital expenditures of \$300,000 in 2009, \$9 million in 2010,
18 and \$6.5 million in 2011 for the Energy Procurement Expansion and Relocation
19 Initiative. DRA recommends rejecting the Energy Procurement Expansion and
20 approving the Relocation project and also recommends disallowing the capital
21 expenditures of \$9 million in 2010 and \$6.5 million in 2011. See Exhibit DRA-9 for
22 DRA's discussion on the Energy Procurement Expansion & Relocation Initiative.

¹⁵⁶ Exhibit PG&E-7, Chapter 6, page 6-45

¹⁵⁷ Exhibit PG&E-7, Chapter 6, page 6-44

¹⁵⁸ Exhibit PG&E-7, Chapter 6, page 6-44